ANNUAL FINANCIAL STATEMENTS
30 June 2011

INGWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2011

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Annual Financial Statements

for

Ingwe Municipality

for the year ended 30 June: ***2011***

Province:	KwaZulu Natal
AFS rounding:	***R (i.e. only cents)***

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Name of contact at National Treasury:	Thomas Matjeni
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General information

Members of the Council

S V Zulu	**Deputy Mayor**
N P Luzulane	**Mayor**
S W Mtolo	**Speaker**
P S Msomi	**Exco member**
H A Ngcobo	**Exco member**
B C Mncwabe	**Ordinary Councillor**
M W Mtolo	**Ordinary Councillor**
S E Dlamini	**Ordinary Councillor**
F M Mankhanya	**Ordinary Councillor**
M C Cekwane	**Ordinary Councillor**
C B Kunene	**Ordinary Councillor**
B Thabethe	**Ordinary Councillor**
V E Mncwabe	**Ordinary Councillor**
P P Shange	**Ordinary Councillor**
S S Ngubo	**Ordinary Councillor**
N G Mbatha	**Ordinary Councillor**
A N Dlamini	**Ordinary Councillor**
B C Nzimande	**Ordinary Councillor**
S J Bhengu	**Ordinary Councillor**
T A Zikode	**Ordinary Councillor**
S T Dlamini	**Ordinary Councillor**
S R Mlotshwa	**Ordinary Councillor**

Municipal Manager	Mr GM Sineke
Acting Chief Financial Officer	Mr BM Mzimela
Grading of Local Authority	Grade 2 (In terms of the Remuneration of Public Office Bearers Act)
Auditors	Auditor-General
Bankers	First National Bank

General information (continued)

Registered Office:

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address:

Ingwe Municipality, Main Street , Creighton

Main Street
Creighton
3263

P O Box 62
Creighton
3263

(039) 833-1038

(039) 833-1179

mailbox@ingwemunicipality.co.za

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 59, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. These annual financial statements have been compiled in accordance with the GRAP Standards.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. As a third tier of Government i.e. Local Government, the Municipality's operations and its principal activities entail service delivery at local community level. The attached financial statements reflect the results of these operations and the municipality's financial position are the stated reporting date. The Municipality is governed by and in terms of the Municipal Finance Management Act, Act 56 of 2003 and the Local Government Systems Act, Act 32 of 2000.

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Municipal Manager:

DATE: 31 August 2011

INGWE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	2011	2010
ASSETS		**R**	**R**
Current Assets		**55 242 601**	**44 727 951**
Cash and cash equivalents	1	52 275 627	42 668 648
Trade receivables from exchange transactions	2	2 049 895	877 503
Other receivables from non-exchange transactions	3	276 831	718 733
VAT receivable	4	640 248	463 066
Non-Current Assets		**63 627 262**	**51 325 603**
Property, plant and equipment	5	62 777 204	50 636 169
Investment property carried at fair value	6	575 000	575 000
Intangible assets	7	275 058	114 434
Total Assets		**118 869 863**	**96 053 554**
LIABILITIES			
Current Liabilities		**16 053 595**	**15 133 898**
Unspent conditional grants and receipts	8	12 447 750	11 135 652
Trade and other payables from exchange transactions	9	3 172 616	3 711 983
Current provisions	10	-	232 656
Current portion of contract retention	12	384 619	-
Current portion of finance lease liability	13	48 610	53 607
Non-current Liabilities		**4 402 149**	**2 016 863**
Non-current provisions	11	2 637 163	275 761
Other non-current liabilities	12	1 624 138	1 551 645
Finance lease liability	13	140 848	189 458
Total liabilities		**20 455 743**	**17 150 761**
NET ASSETS		**98 414 119**	**78 902 793**
NET ASSETS			
Accumulated surplus		98 414 119	78 902 793
Total net assets		**98 414 119**	**78 902 793**

INGWE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2011

	Note	2011 R	2010 R
REVENUE			
Property rates	15	2 537 412	1 630 982
Service charges	16	285 743	225 696
Penalties on rates		74 668	-
Traffic fines		95 283	116 370
Rent of facilities and equipment	17	202 606	155 527
Interest received	18	2 719 997	2 468 728
Government grants and subsidies	19	55 609 337	54 129 787
Other income	20	88 095	565 437
Total revenue		**61 613 140**	**59 292 528**
EXPENSES			
Employee related costs	21	12 530 570	9 983 679
Remuneration of councillors	22	4 535 469	4 352 599
Bad debts		147 122	215 992
Depreciation and amortisation	23	3 219 387	3 288 011
Repairs and maintenance		706 795	905 346
Finance costs	24	250 990	290 615
Amortisation cost	25	-	39 529
Contracted services	26	304 060	201 939
General expenses	27	17 719 810	13 236 075
Total expenses		**39 414 202**	**32 513 786**
Loss on disposal of property, plant and equipment	28	5 721	4 349
Impairment loss	29	2 681 892	4 090 209
Fair value adjustment	6	-	2 370 720
SURPLUS FOR THE YEAR		**19 511 325**	**20 313 464**

INGWE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2011

		Accumulated Surplus	Total: Net Assets
		R	R
Balance at 1 July 2008		**48 834 490**	**48 834 490**
Correction of prior period errors		66 941	66 941
Restated balance at 30 June 2008		**48 901 431**	**48 901 431**
Surplus for the year		11 858 869	11 858 869
Balance at 30 June 2009		**60 760 300**	**60 760 300**
Correction of prior period errors		(566 432)	(566 432)
Restated balance at 30 June 2009		**60 193 868**	**60 193 868**
Surplus for the year		20 353 476	20 353 476
Balance at 30 June 2010		**80 547 344**	**80 547 344**
Correction of prior year errors	33	(1 644 550)	(1 644 550)
Restated balance at 30 June 2010		**78 902 794**	**78 902 794**
Surplus for the year		19 511 325	19 511 325
Balance at 30 June 2011		**98 414 119**	**98 414 119**

Note: As depicted above, the Municipality's reserves comprise only of the accumulated surplus which is a distributable reserve.

INGWE MUNICIPALITY
CASH FLOW STATEMENT
For the year ended 30 June 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		62 925 239	48 418 542
Cash paid to Suppliers and Employees		(37 602 494)	(30 234 084)
Cash generated from operations	**30**	**25 322 745**	**18 184 458**
Interest earned		2 719 997	2 468 728
Finance costs		(249 389)	(285 030)
Interest paid		(1 601)	(5 585)
Net cash flows from operating activities		**27 791 752**	**20 362 570**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18 013 655)	(17 273 194)
Proceeds on disposal of property, plant and equipment		-	13 380
Intangible assets acquired		(195 000)	-
Net cash flows from investing activities		**(18 208 655)**	**(17 259 814)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in other non-current liabilities		72 493	1 543 232
Repayment of finance lease liabilities		(48 610)	(53 608)
Net cash flows from financing activities		**23 883**	**1 489 623**
Net increase in cash and cash equivalents		**9 606 980**	**4 592 380**
Net cash and cash equivalents at the beginning of the year		**42 668 648**	**38 076 268**
Net cash and cash equivalents at the end of the year	**31**	**52 275 627**	**42 668 648**

Ingwe Municipality
Summary of significant accounting policies
For the year ended 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention except for financial instruments (including derivative instruments) recorded at fair value.

These financial statements have been prepared, where applicable, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for the period starting asfter 1 April 2012. All other standards as llisted above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Change in Accounting Estimates and Errors.

There are no impending changes in accounting policy.

1.6 ROUNDING

The amounts disclosed in these annual financial statements were rounded off to the nearest rand.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	**Years**	**Other**	**Years**
Roads, pavements and drains	10	Buildings	30
Taxi ranks	20	Security	3 to 20
Streetlighting	25	Computer equipment	1 to 5
		Furniture and fittings	2 to 10
Community		Office equipment	3 to 5
Community halls	30	Plant and equipment	2 to 7
Libraries	30	Motor vehicles	3 to 7
Public places	10 to 15	Locomotives and coaches	15 to 30
Sportsfields	30		
Refuse site	5		
Finance lease assets			
Office equipment	5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), the relevant item of property, plant and equipment is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The amortisation rates are based on the following estimated average asset lives:

Intangible assets	3 - 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as changes in accounting estimates in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of a possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 FINANCIAL INSTRUMENTS

The entity classifies financial instruments, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a finanical liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

FAIR VALUE METHODS AND ASSUMPTIONS
The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on municipality-specific inputs.

THE EFFECTIVE INTEREST RATE METHOD
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

AMORTISED COST
Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

5.1 FINANCIAL ASSETS - CLASSIFICATION
A financial assets is any asset that is cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified into four categories allowed by the standard as follows:

LOANS AND RECEIVABLES
Loans and receivables are non-derivative financial assets with a fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that rae directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less provision for impairment

HELD TO MATURITY INVESTMENTS
Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold investment to maturity.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:
- they are classified as held for trading
- upon initial recognition ther ayre designated as fair value through the Statement of Financial Performance

AVAILABLE FOR SALE INVESTMENTS
Available for sale investments are financial assets designated as available for sale or are not classified as:
- Loans and receivables;
- Held-to-maturity Investments; or
- Financial assets at fair value through profit or loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Types of Financial Assets	Classification in terms of IAS 39.09
Cash and cash equivalents	Loans and receivables
Trade receivables	Loans and receivables
Other receivables	Loans and receivables

5.1 CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and subject to an insignificant risk or changes in value. Where term deposits exceed three months, they are classified under another class of financial instrument, depending on the nature.

Trade and other receivables (excluding Value Added Taxation, prepayment and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not in an active market are classified as loans and receivables.

5.2 FINANCIAL LIABILITIES - CLASSIFICATION

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- Fair value through profit and loss: or
- Other financial liabilities (measured at amortised cost).
- Financial guarantee contract

FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities that are measured at fairl value through profit or loss are financial liabilities that are essentially held for trading

OTHER FINANCIAL LIABILITIES

Any othet financial liabilities are classified as "other financial liabilities" in accordance with IAS 39.09

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Non-current liabilites
- Current liabilites

5.3 MEASUREMENT

Initial measurement

Financial instruments are initially measured at fair value plus in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Where the effect of any extended payment terms is not material no adjustments are made.

The fair value of a finanical instrument is normally the transaction price, but may be affected by other factors which the entity takes into account when measuring fair value.

Regular way purchases or services are recognised using trade date accounting. All other financial instruments are recognised when the entity becomes a party to the contract.

Subsequent measurement

Trade and other receivables

Trade and other receivables are subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on the past default experience of all outstanding amounts at year end. Amounts receivable within 12 months from the date of reporting date are classified as current.

When a trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are subsequently recorded at fair value which always approximates face value.

Trade and other payables

These financial liabilities are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Financial assets at fair value through profit or loss - Held for trading
Held to maturity
Available for sale.

Financial assets for which a reliable fair value cannot practicably be determined are carried at cost.

5.4 IMPAIRMENT

At reporting date, the municipality determines where there is any objective evidence that a financial asset or group of financial assets is impaired.

The entity follows the following steps in judging whether objective evidence exists on reporting date that the financial asset or group of financial assets is impaired:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivable or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for financial assets with the exception of a trade receivables, where the carrying amount is reduced through use of an allowance account. When a trade receivable is considered uncollectable it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit in the Statement of Financial Position. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss is decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisaiton) and current fair value, less any impairment loss on the financial asset previously recognised in the Statement of Financial Performance.

5.5 DERECOGNITION

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The entity firstly needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if, it either: transfers the contractual rights to receive the cash flows of the financial asset; or retains the contractual rights to receive the cash flows of the financial asset.

The entity removes a financial liability (or part of financial liability) from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modificatioin of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) are accounted for as an extinguishment of the original financia liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

6 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

7 UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Environmental rehabilitation provision
Estimated long-term environmental provisions which is the provision for the rehabilitation and closure of the landfill site and is based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for the rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligation relate to the asset, they are capitalised as part of the cost of teh asset. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Interest earned on unutilised conditional grants is recognised directly in the Statement of Financial Performance.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual reporting period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

15 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

15.1 DEFINED BENEFIT PLAN

The municipality had two employees who were members of the Multi-Employer Defined Benefit Plan, one person passed away in the current year. This plan is managed by the Natal Joint Municipal Pension Fund and the registration number of the fund is 12/8/6676/2. This plan is not treated as defined benefit plans as defined by IAS19, but is accounted for as defined contribution plan. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The municpality is exposed to actuarial risks as a result of its members participating in the Multi-Employer Defined Benefit Plan this risk is also spread to other municipalities who are participating on the plan. Natal Joint Municipal Pension Fund does not have a reliable and a consistent basis of allocating the obligation,assets and related cost to municipality that are participating on the plan.

15.2 DEFINED CONTRIBUTION PLAN

The majority of the Municipality's employees belong to the Multi-Employer Contribution Plan which is managed by the Natal Joint Municipal Pension Fund; the registration number of the fund is 12/8/32588/1. Accordingly, contributions paid on behalf of employees have been expensed in the current year.

16 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

17 CORRECTION OF ERRORS

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 33 to the Annual Financial Statements for the details of corrections of errors recorded during the period under review.

18 EVENTS AFTER BALANCE SHEET DATE

Events after the reporting date are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting daet that are classifed as non-adjusting events have been disclosed in the notes to the Annual Financial Statements.

19 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

	2011 R	2010 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	298 971	906 259
Call deposits - Stanlib Investment	7 367 208	6 909 061
- Money Market	1 456 582	33 004 584
- Investec Bank	1 349 571	1 270 240
- Investec Fixed Deposits	15 168 520	-
- Fixed Notice	600 714	578 505
- Business Fixed Maturity 74	26 034 061	-
	52 275 627	42 668 648

The municipality has the following bank accounts:

The Primary Bank Account

First National Bank - Ixopo Branch
Account number 5255 1036 969

Cash book balance at beginning of the year	843 170	836 003
Cash book balance at end of the year	224 671	843 170
Bank statement balance at beginning of the year	844 799	826 898
Bank statement balance at end of the year	216 280	844 799

Salaries Bank Account

First National Bank - Ixopo Branch
Account number 6205 1076 688

Cash book balance at beginning of the year	18 817	3 323
Cash book balance at end of the year	37 159	18 817
Bank statement balance at beginning of the year	18 817	3 323
Bank statement balance at end of the year	37 159	18 817

Public Sector Cheque Account

First National Bank - Ixopo Branch
Account number 6224 5385 093
Date the account was opened: 12 November 2009

Cash book balance at beginning of the year	36 895	-
Cash book balance at end of the year	36 895	36 895
Bank statement balance at beginning of the year	36 895	-
Bank statement balance at end of the year	36 895	36 895

CALL DEPOSITS
Stanlib Cash Plus Fund A - no maturity date
Account number: 551130458

Cash book balance at beginning of the year	6 908 344	6 363 019
Cash book balance at end of the year	7 367 208	6 908 344
Bank statement balance at beginning of the year	6 908 344	6 363 019
Bank statement balance at end of the year	7 367 208	6 908 344

CASH AND CASH EQUIVALENTS (continued)	**2011** **R**	**2010** **R**
Investec Fixed Deposit		
Account number: 50003450424 - 1		
Cash book balance at beginning of the year	1 270 240	-
Cash book balance at end of the year	1 349 571	1 270 240
Bank statement balance at beginning of the year	1 270 240	-
Bank statement balance at end of the year	1 349 571	1 270 240
Investec Fixed Deposit		
Account number: 50003450424 - 2		
Cash book balance at beginning of the year	-	-
Cash book balance at end of the year	15 168 520	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	15 168 520	-
First National Bank Fixed Notice		
Account number: 74165605518		
Cash book balance at beginning of the year	578 505	550 840
Cash book balance at end of the year	600 714	578 505
Bank statement balance at beginning of the year	578 505	550 840
Bank statement balance at end of the year	600 714	578 505
First National Bank Money Market		
Account number: 62008452071		
Cash book balance at beginning of the year	33 004 584	30 319 402
Cash book balance at end of the year	1 456 582	33 004 584
Bank statement balance at beginning of the year	33 004 584	30 319 402
Bank statement balance at end of the year	1 456 582	33 004 584
First National Bank Business Fixed Maturity Notice		
Account number: 74282396404		
Cash book balance at beginning of the year	-	-
Cash book balance at end of the year	26 034 061	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	26 034 061	-

Call deposits are investments with a maturity date of less than 3 months and they earn interest.

Deposits of R12 447 750 (2010: R11 135 655) have been ring-fenced to cover conditional grants that have not yet been utilised.

	Gross Balances R	Provision for impairment R	Net Balance R
2 Trade receivables from exchange transactions			
as at 30 June 2011			-
Rates	3 212 361		
Refuse	391 369		
Rent	69 699		
VAT portion on debtors	65 423		
Total Consumer Debtors	**3 738 852**	**1 688 957**	**2 049 895**
as at 30 June 2010			
Rates	2 140 499		
Refuse	282 965		
Total Consumer Debtors	**2 423 464**	**1 545 960**	**877 503**

The carrying value of trade debtors approximates their fair value due to their short-term maturity.

The municipality charges interest on outstanding debtors. Interest rate on rates is 10% per annum and other services its 2% per month on outstanding balance. Refer to note 18 on interest charged.

Ageing of consumer debtors	**2011 R**	**2010 R**
Current		-
1 - 30 Days	39 129	29 476
31 - 60 Days	36 623	19 349
61 - 90 Days	29 606	17 878
91 - 120 Days	26 028	11 931
120 Days and more	3 607 467	2 355 617
Less: Receipts captured after month end run	-	(10 787)
	3 738 852	**2 423 464**

Trade receivables from organs of state

Included in the amounts discloded above are the following amounts owing from the organs of state.

Government Deparments	**1 399 128**	**978 487**

Summary of Gross Debtors by Customer Classification	**Consumers R**	**Industrial / Commercial R**	**National and Provincial Government R**
as at 30 June 2011			
Current (0 – 30 days)	25 626	6 870	40 080
31 - 60 Days	7 938	1 863	19 805
61 - 90 Days	6 223	1 497	17 030
91 - 120 Days	804 191	1 390 328	1 417 401
Sub-total	**843 978**	**1 400 558**	**1 494 315**

Reconciliation of the doubtful debt provision

The municipality's trade receivables are stated after allowances for doubtful debts based on management's assessment of the creditworthiness. An analysis of the allowance is as follows:

At the beginning of the year	1 545 960	1 291 257
Charged to surplus	142 997	254 703
At the end of the year	**1 688 957**	**1 545 960**

When management determines if a debtor is impaired, management considers if there has been any change in the credit quality of the debtor during the period, investigates changes in the payment behaviour of the debtor by inspecting the payment history thereof and any other evidence that may indicate that the debtor is impaired.

		2011 R	2010 R
3	**Other receivables from non-exchange transactions**		
	Security deposits with suppliers	111 006	67 527
	Other	165 824	689 917
	Less: provision for doubtful debts	-	(38 711)
		276 831	**718 733**
4	**Value added tax**		
	VAT receivable	**640 248**	**463 066**

The municipality is registered as a vendor on the receipts and payments basis.

5 Property, plant and equipment

5.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Finance Leased Assets	Other	Total
	R	R	R	R	R	R	R
as at 1 July 2010	**1 630 000**	**3 410 184**	**7 817 271**	**27 385 535**	**200 943**	**10 192 237**	**50 636 169**
Cost: Completed	1 630 000	6 646 714	9 809 724	20 483 326	306 860	12 936 018	51 812 642
Cost: Under Construction			2 732 960	10 515 741		26 486	13 275 187
Correction of error - depreciaiton for 2010 (note 33)		(37 745)	-	(494 595)	-	-	(532 340)
Correction of error - fully depreciated assets (note 33)			76 261			901 542	977 803
Accumulated depreciation and impairment losses		(3 198 785)	(4 801 674)	(3 118 937)	(105 917)	(3 671 810)	(14 897 123)
Acquisitions		445 352	-	6 710 937	-	1 317 730	8 474 019
Capital under construction movement		0	4 694 940	4 801 957	-	51 578	9 548 475
Capital under Construction - additions	-		4 694 940	11 569 352	-	51 578	16 315 870
Capital under Construction - transferred to acquisitions				(6 767 395)			(6 767 395)
Depreciation	-	(126 398)	(914 996)	(821 497)	(61 372)	(1 260 748)	(3 185 011)
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**	**(5 721)**	**(5 721)**
Cost/Revaluation	-	-	-		-	(68 133)	(68 133)
Accumulated depreciation and impairment losses	-	-	-	-	-	62 412	62 412
Impairment loss/Reversal of impairment loss	-	(20 631)	(48 867)	(2 494 823)		(117 571)	(2 681 892)
as at 30 June 2011	**1 630 000**	**3 708 507**	**11 548 345**	**35 582 109**	**139 571**	**10 168 671**	**62 777 204**
Cost	1 630 000	7 092 066	9 809 722	27 194 263	306 860	14 176 781	60 209 692
Assets under construction			7 427 900	15 317 698	-	78 064	22 823 662
Accumulated depreciationand impairment losses	-	(3 383 559)	(5 689 277)	(6 929 852)	(167 289)	(4 086 174)	(20 256 151)

5 Property, plant and equipment

5.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure Assets	Community Assets	Finance Leased Assets	Other	Total
	R	R	R	R	R	R	R
as at 30 June 2009	**1 630 000**	**5 526 019**	**6 185 688**	**15 576 289**	**262 315**	**2 135 924**	**31 316 235**
Cost: Completed	-	5 740 356	18 055 637	12 746 457	306 860	4 860 448	41 709 758
Cost: Under Construction				-			0
Correction of error (note 33)	1 630 000	906 358	(10 408 295)	4 996 139	-	-	(2 875 798)
Accumulated depreciation and impairment losses	-	(1 120 695)	(1 461 654)	(2 166 307)	(44 545)	(2 724 524)	(7 517 725)
Acquisitions			2 162 382	2 886 270	-	8 020 453	13 069 105
Capital under Construction		0	2 732 960	10 515 741	-	26 486	13 275 187
Depreciation	-	(202 247)	(1 731 479)	(460 120)	(61 372)	(812 092)	(3 267 310)
Carrying value of disposals	**-**	**-**	**-**	**(145 540)**	**-**	**33 245**	**(112 295)**
Cost/Revaluation	-	-		(145 540)	-	55 117	(90 423)
Accumulated depreciation and impairment losses	-	-		-	-	(21 872)	(21 872)
Impairment loss/Reversal of impairment loss	-	(1 875 843)	(1 608 541)	(508 164)		(97 660)	(4 090 208)
as at 30 June 2010	**1 630 000**	**3 447 929**	**7 741 010**	**27 880 130**	**200 943**	**9 290 694**	**50 190 526**
Cost	1 630 000	6 646 714	9 809 724	20 483 326	306 860	12 936 018	51 812 462
Assets under construction			2 732 960	10 515 741		26 486	13 275 187
Accumulated depreciation and impairment losses	-	(3 198 785)	(4 801 674)	(3 118 937)	(105 917)	(3 671 810)	(14 897 123)

Fixed property is stated at the values reflected in the valuation roll. The valuation was perfomed by Messrs Siyazama Consulting, registered professional valuers. The effective date of the valuation is 30 June 2011. No assets of the municipality have been ceded. An annual review of useful lives of assets and an impairment test are performed at year end.

5	**Other information**	**2011 R**	**2010 R**
5.3	There is no idle property, plant and equipment at year end.	-	-
	Gross carrying amount of fully depreciated property, plant and equipment still in use at the reporting date. Useful lives was estimated correctly for these assets at acquisition	**45 615**	**2 897 426**
	There is no property, plant and equipment retired from active use, otherwise not classified as held for sale.	-	-
	The carrying value of property, plant and equipment approximates fair value.	-	-

6 Investment properties carried at fair value

6.1 Reconciliation of fair value	Investment properties buildings R	Investment properties land R	Total R
as at 30 June 2010	**3 494 773**	**2 145 000**	**5 639 773**
Correction of error (note 33)	(3 494 773)	(1 570 000)	(5 064 773)
Restated balance as at 30 June 2010	**3 949 773**	**575 000**	**575 000**
Additions	-	-	**-**
Disposals	-	-	**-**
Transfers	-	-	**-**
Fair value adjustment	-	-	**-**
as at 30 June 2011	**3 949 773**	**575 000**	**575 000**

6.1 Reconciliation of fair value	Investment properties buildings R	Investment properties land R	Total R
as at 1 July 2009	**5 824 493**	**2 108 000**	**7 932 493**
Additions			-
Disposals			-
Transfers	78 000		78 000
Fair value adjustment	(2 407 720)	37 000	(2 370 720)
as at 30 June 2010	**3 494 773**	**2 145 000**	**5 639 773**

	2011 R	2010 R
6.2 Investment property pledged as security	**-**	**-**
No investment property is pledged as security		
6.3 Rental income from investment property	**-**	**147 646**
Direct operating expenses from rental generating property	**-**	**55 338**

6.4 Details of valuation

The effective date of valuation was 30 June 2011. Revaluations were performed by an independent valuer Diane de Wet (ND Real Estate, MIVSA, CEA) of Siyazama Consulting. The valuation was based on open market value for existing use. There was no movement on the fair value during the current financial year.

Amounts recognised in surplus for the year	**-**	**(2 370 720)**

7 Intangible Assets

7.1 Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2010	**114 434**	**114 434**
Cost	243 733	243 733
Accumulated amortisation	(129 299)	(129 299)
Acquisition	195 000	195 000
Amortisation	(34 376)	(34 376)
as at 30 June 2011	**275 058**	**275 058**
Cost	438 733	438 733
Accumulated amortisation	(163 675)	(163 675)

7.1 Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2009	**23 459**	**23 459**
Cost	268 131	268 131
Accumulated amortisation	(244 672)	(244 672)
Assets reclassified as computer equipment	(24 398)	(24 398)
Amortisation reclassified to computer equipment	24 398	24 398
Amortisation	(5 053)	(5 053)
Correction of error (note 33.5) accumulated depreciation	96 028	96 028
as at 30 June 2010	**114 434**	**114 434**
Cost	243 733	243 733
Accumulated amortisation	(129 299)	(129 299)

		2011 R	2010 R
8	**Unspent conditional grants and receipts**		
8.1	Unspent Conditional grants from other spheres of government:	**11 287 318**	**10 975 220**
	MIG Grant	2 872 445	4 558 295
	National Department of Energy Electrification	3 415 450	2 180 690
	National COGTA (MSIG)	-	-
	National: Finance Management Grant (FMG)	-	-
	Other National Government Grants	103 526	103 522
	Provincial Government Grants	4 895 897	4 132 713
8.2	Other Conditional Receipts	**1 160 432**	**160 432**
	Developers' Contributions	160 432	160 432
	Public Contributions	1 000 000	-
	Total Unspent Conditional Grants and Receipts	**12 447 750**	**11 135 652**

The Unspent Conditional Grants and Receipts are invested in ring-fenced investment accounts until utilised.

See Note 19 for the reconciliation of Grants from Government and for the reconciliation of Other Conditional Receipts. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9	**Trade and other payables from exchange transactions**		
	Trade payables	1 850 068	2 792 800
	Staff leave accrual	768 922	563 240
	Other payables	553 626	355 944
		3 172 616	**3 711 983**

The fair value of trade and other payables approximates their carrying amounts.

10	**Current provisions**		
	Provision for cellphone allowances for councillors	-	232 656
		-	**232 656**

		2011 R	2010 R
11	**Non-current provisions**		
	Provision for the rehabilitation of refuse disposal sites	2 425 406	126 445
	Provision for long-service awards	211 757	149 316
		2 637 163	**275 761**

The provision for rehabilitation of refuse disposal sites relates to the legal obligation to rehabilitate the disposal sites.

The municipality operates two refuse disposal sites. Both sites have been in operation for nearly ten years and assuming the current level of usage of these disposal sites is maintained, it is anticipated that they will reach full capacity after 3 financial years, wherein they will be permanently closed and thus rehabilitated. The provision amount disclosed represents the present value of future estimated rehabilitation costs (material and labour inclusive of professional environmental expertise).

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

Key financial assumptions
Discount rate: 8.28% p.a.
General salary inflation (long-term): 6.78% p.a.
Net effective discount rate: 1.79% p.a.
Salaries used in the valuation inlcude an assumed increase in July 2011 of 6.08%, the next salary increase was assumed to take place in July 2012.

Key demographis assumptions
Average retirement age: 60 years
Mortality during employment: SA85-90
Withdrawal from service

Age	Rate	
	Female	**Male**
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55	0%	0%

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of the refuse disposal sites:		
Balance at the beginning of year	126 445	140 000
Contributions to provision	2 298 961	0
Reduction in provision		(13 555)
Transfer to current provisions	-	
Balance at the end of year	**2 425 406**	**126 445**

Provision for long-service awards		
Balance at the beginning of year	149 316	109 304
Contributions to provision	47 305	27 964
Expenditure incurred		
Actuarial (gain)/loss	15 136	12 048
Transfer to current provisions		
Balance at the end of year	**211 757**	**149 316**

12	**Other non-current liabilities**		
	Contract retentions	2 008 757	1 551 645
	Less: Current Portion	384 619	-
	Long-term portion	**1 624 138**	**1 551 645**

13 FINANCE LEASE LIABILITY

2011 **Amounts payable under finance leases**	**Minimum lease payment** **R**	**Future finance charges** **R**	**Present value of minimum lease payments** **R**
Within one year	289 401	(240 791)	48 610
Within two to five years	437 856	(297 005)	140 851
	727 257	(537 796)	**189 458**
Less: Amount due for settlement within 12 months (current portion)			**(48 610)**
			140 848

2010 **Amounts payable under finance leases**	**Minimum lease payment** **R**	**Future finance charges** **R**	**Present value of minimum lease payments** **R**
Within one year	302 996	(249 391)	53 605
Within two to five years	727 258	(537 799)	189 459
	1 030 254	787 190	**243 065**
Less: Amount due for settlement within 12 months (current portion)			**(53 607)**
			189 458

The average lease term is 5 years. The capitalised liabilities are in respect of office equipment leased by the municipality. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate (internal rate of return) is 12% per annum. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased equipment's ownership will pass to the municipality at the end of the respective lease terms.

14 Categories of financial instruments

2011 Financial Year	Loans and receivables	Financial liabilities at amortised cost	Total
Current assets			
Trade receivables	-	-	-
Other receivables	276 831	-	276 831
Cash and cash equivalents	52 275 627	-	52 275 627
VAT receivable	640 248	-	640 248
Non-current liabilities			
Finance lease liability	-	140 848	140 848
Other non-current liabilities	-	1 624 138	1 624 138
Current liabilities			
Trade and other payables	-	3 172 616	3 172 616
Short-term portion of finance lease	-	48 610	48 610
Unspent conditional grants and receipts	-	12 447 750	12 447 750
Provisions	-	-	-

2010 Financial Year	Loans and receivables	Financial liabilities at amortised cost	Total
Current assets			
Trade receivables	916 214	-	916 214
Other receivables	386 477	-	386 477
Cash and cash equivalents	42 640 480	-	42 640 480
VAT receivable	463 066	-	463 066
Non-current liabilities			
Finance lease liability	-	189 458	189 458
Other non-current liabilities	-	1 551 645	1 551 645
			-
Current liabilities			
Trade and other payables	-	3 320 320	3 320 320
Short-term portion of finance lease	-	53 607	53 607
Unspent conditional grants and receipts	-	11 135 652	11 135 652
Provisions	-	42 680	42 680

		2011 R	2010 R
15	**Property rates**		
	Property rates raised		
	Residential, commercial and state	2 537 412	1 630 982
		2 537 412	**1 630 982**
	Property valuations		
	Residential, commercial and state	1 104 753 000	1 103 317 000
		1 104 753 000	**1 103 317 000**
	Valuation of properties within the boundaries of the Municipal area are performed every five years. The current valuation in use came into effect on 1 July 2009, with the valuation having been performed on 02 July 2008. Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc. The most recent supplementary valuation was carried out on 30 June 2011 yielding a total property value of R1 104 753 000.		
16	**Service charges**		
	Refuse removal	285 743	225 696
	Other charges	-	-
		285 743	**225 696**
17	**Rental of facilities and equipment**		
	Hire of halls	29 011	29 315
	Rentals	173 595	126 213
		202 606	**155 527**
18	**Interest received**		
	Interest on investment	2 716 853	2 468 728
	Interest on debtor account	3 144	-
		2 719 997	**2 468 728**
19	**Government grants and subsidies received**		
	Equitable share	35 213 000	28 844 031
	Conditional grants utilised	20 396 337	25 285 756
		55 609 337	**54 129 787**
19.1	**National: Equitable share**		
	Current year receipts	35 213 000	28 844 031
	Transferred to revenue	(35 213 000)	(28 844 031)
		-	-
	In terms of the Constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.		
19.2	**National: MIG Grants**		
	Unspent at the beginning of the year	4 558 295	3 469 046
	Received in current year	11 186 000	13 277 000
	Conditions met - transferred to revenue	(12 871 850)	(12 187 751)
	Unspent at end of the year - Refer to note 8	**2 872 445**	**4 558 295**
	The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure . No funds were withheld.		

		2011 R	2010 R
19	**Government grants and subsidies (continued)**		
19.3	**National: Finance Management Grant (FMG)**		
	Unspent at the beginning of the year	-	347 037
	Received in current year	1 200 000	750 000
	Conditions met - transferred to revenue	(1 200 000)	(1 097 037)
	Unspent at end of the year - Refer to note 8	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.		
19.4	**National Department of Energy: Electrification**		
	Unspent at the beginning of the year	2 180 690	5 847 390
	Received in current year	5 000 000	-
	Conditions met - transferred to revenue	(3 765 240)	(3 666 700)
	Unspent at end of the year - Refer to note 8	**3 415 450**	**2 180 690**
	This grant is paid by the Department of Energy for the electrification of eMasameni, Donnybrook and Xosheyakhe. No funds were withheld.		
19.5	**National Department of Cooperative Governance and Traditional Affairs MSIG**		
	Unspent at the beginning of the year	-	110 169
	Received in current year	750 000	500 000
	Conditions met - transferred to revenue	(750 000)	(610 169)
	Unspent at end of the year - Refer to note 8	**-**	**-**
19.6	**Other National Grants**		
	Unspent at the beginning of the year	103 526	1 027 448
	Received in current year	103 805	
	Conditions met - transferred to revenue	(103 805)	(923 922)
	Unspent at end of the year - Refer to note 8	**103 526**	**103 526**
19.7	**Provincial Grants**		
	Unspent at the beginning of the year	4 132 713	6 801 690
	Received in current year	2 468 631	-
	Conditions met - transferred to revenue	(1 705 443)	(2 668 977)
	Unspent at end of the year - Refer to note 8	**4 895 901**	**4 132 713**
19.8	**Other Conditional Grants**		
	Unspent at the beginning of the year	160 432	3 455 463
	Received in current year	1 000 000	814 278
	Interest received	-	21 891
	Conditions met - transferred to revenue	-	(4 131 200)
	Unspent at end of the year - Refer to note 8	**1 160 432**	**160 432**

		2011 R	2010 R
20	**Other income**		
	Printing income	8 438	5 913
	Rates clearance certificate	1 950	955
	Commission received	327	604
	Library	74	103
	Tender documents	40 850	43 850
	Sundry income	36 456	477 116
	Donation Nkwezela Disaster	-	36 895
		88 095	**565 437**
21	**Employee costs**		
	Salaries and wages	9 157 741	7 293 336
	Contributions for Medical Aid, Pension and UIF	1 513 995	1 257 254
	Travel allowances and standby allowances	465 935	391 138
	Overtime	185 539	142 574
	Bonus (13th cheque)	475 476	344 757
	Provision for leave pay	663 036	514 607
	Housing benefits	6 408	-
	Provision for long service awards	62 440	40 012
		12 530 570	**9 983 679**
	Remuneration of the Municipal Manager		
	Annual Remuneration	700 022	617 915
	Travel Allowance	117 480	116 354
	UIF contribution	1 497	1 497
	Total	**818 999**	**735 766**
	Remuneration of the Chief Financial Officer		
	Annual Remuneration	208 806	366 032
	Travel Allowance	57 238	70 159
	UIF contribution	749	1 373
	Acting Allowance	115 659	-
	Total	**382 452**	**437 563**
	The CFO resigned in January 2011, there is an acting CFO		
	Remuneration of the Technical Manager		
	Annual Remuneration	499 585	394 505
	Travel Allowance	44 057	43 634
	UIF contribution	1 497	1 497
	Total	**545 139**	**439 637**
	Remuneration of the Corporate Services Manager		
	Annual Remuneration	343 085	323 054
	Travel Allowance	188 600	96 588
	UIF contribution	1 497	1 373
	Total	**533 182**	**421 015**

		2011 R	2010 R
22	**Remuneration of the Councillors**		
	Remuneration of the Mayor		
	Annual Remuneration	355 869	340 584
	Travel Allowance	135 654	129 920
	Pension contribution	53 380	51 088
	Cellphone allowance	34 555	17 100
	Total	**579 458**	**538 692**
	Remuneration of the Deputy Mayor		
	Annual Remuneration	260 969	272 468
	Travel Allowance	99 577	103 936
	Pension contribution	39 145	39 340
	Cellphone allowance	33 059	17 100
	Total	**432 750**	**432 844**
	Remuneration of the Speaker		
	Annual Remuneration	167 258	149 856
	Travel Allowance	63 648	56 974
	Pension contribution	25 089	22 478
	Cellphone allowance	22 119	10 668
	Total	**278 114**	**239 976**
	Total Remuneration of the Executive Committee Members		
	Annual Remuneration	403 687	395 926
	Travel Allowance	153 823	151 032
	Pension contribution	60 553	59 389
	Cellphone allowance	55 548	27 768
	Total	**673 611**	**634 114**
	Total Remuneration of Other Councillors		
	Annual Remuneration	1 613 600	1 533 365
	Travel Allowance	622 245	583 391
	Pension contribution	225 870	213 119
	Cellphone allowance	99 277	160 020
	Medical aid	10 544	17 077
	Total	**2 571 536**	**2 506 972**
	Total Remuneration of Councillors	**4 535 469**	**4 352 599**

The Mayor, Deputy Mayor and one Exco member are full-time. Each of them are provided with an office and secretarial support at the cost of the municipality. Councillors were paid within the Upper Limits.

		2011 R	2010 R
23	**Depreciation and amortisation expense**		
	Property, plant and equipment	3 185 012	3 282 958
	Intangible assets	34 377	5 053
	Total Depreciation and Amortisation	**3 219 389**	**3 288 011**
24	**Finance costs**		
	Finance lease	249 389	285 030
	Interest paid	1 601	5 585
		250 990	**290 615**
25	**Amortisation cost**		
	Amortisation of trade debtors net of doubtful debtors provision	**-**	**39 529**
26	**Contracted services**		
	Security and other services	**304 060**	**201 939**
27	**General expenses**		
	Advertising	140 441	185 852
	Accounting fees	143 356	104 676
	Audit fees External	1 169 287	805 417
	Bank charges	43 452	43 703
	Subscriptions	291 340	97 348
	Caterings	200 134	198 929
	Cleaning	28 698	22 903
	Computer expenses	138 521	127 370
	Consultants fees	409 004	574 176
	Consumables	6 514	9 948
	Accomodation,training and travelling	1 543 603	975 168
	Electricity	403 323	232 609
	Fuel and oil	506 437	361 718
	Hire of vehicles	181 509	173 823
	Garden expenses	16 806	9 332
	Insurance	350 599	320 864
	Legal expenses	76 638	100 697
	Newspapers and publi	14 651	29 786
	Postage and freight	11 222	12 779
	Printing and station	305 427	231 765
	Protective clothing	57 098	53 895
	Rent	27 060	16 127
	Refuse removal	8 269	366
	Sewerage disposal	4 163	6 320
	Telephone	549 557	399 987
	Other general expenses	316 802	709 269
	Disposal site expense	2 298 961	-
	Special programmes	642 025	299 978
	Anti corruption meas	-	113 500
	Bulwer housing proje	4 517	262 010
	Centocow dining and	-	51 380
	Community functions	341 121	66 308
	Education support an	249 186	152 871
	Emasameni electrific	471 094	3 253 239
	Free basic electrici	700 040	587 646
	GIS implementation e	25 948	127 372
	HIV/AIDS expenses	35 400	31 330
	ID document campaign	45 250	33 640
	IDP review	119 124	105 180
	Job evaluation	-	78 000
	Internal audit and a	127 417	29 219
	MPRA Service provide	109 761	-
	Municipal relief fun	168 188	155 585
	Perfomance managemen	-	182 160
	Prognosis Ingwe	-	198 000
	Organisational struc	213 554	120 000
	Poverty allevation	339 004	129 139
	Centocow CD	90 337	-
	Policy review	-	189 000
	Public participation	316 346	67 858
	Railway tourism expe	44 439	203 474
	Sports development	400 091	187 018
	Ward committees capa	33 850	24 812
	Ward committee expen	192 441	278 849
	Ward fencing project	-	127 655
	Township Establishment	28 509	-
	Study Cemetries & Landfilsite	91 057	-
	Xohleyakhe, Bulwer,Donnybrook Electrification	3 298 252	-
	Youth Development	389 985	376 026
	Community projects	**17 719 810**	**13 236 075**

		2011 R	2010 R
28	**Loss on disposal property, plant and equipment**		
	Proceeds on disposal of property, plant and equipment	-	13 382
	Carrying value of property, plant and equipment disposed	(5 721)	(17 731)
		(5 721)	**(4 349)**
29	**Impairment Loss**		
	Property, plant and equipment		
	An impairment test was conducted on property, plant and equipment. Some assets were impaired. Accordingly, such impairment was recognised immediately to bring the previously reported carrying values to the fair value / recoverable amount.	**(2 681 892)**	**(4 090 209)**
	Impairment loss is made up as follows:		
	Infrastructure		
	Roads	48 868	1 608 541
	Taxi ranks	-	323 353
	Community assets		
	Community halls	2 049 491	(54 783)
	Libraries	-	203 593
	Public places	-	36 002
	Sportfields	445 332	
	Other assets		
	Buildings	20 630	1 875 843
	Motor vehicles	117 571	97 660
		2 681 892	**4 090 209**
30	**Cash generated from operations**		
	Surplus for the year	19 511 325	20 353 476
	Adjustments for:		
	Depreciation and amortisation	3 219 387	3 288 011
	Fair value adjustment	-	2 370 720
	Loss on disposal of property, plant and equipment	5 721	4 349
	Finance costs	249 389	285 030
	Interest paid	1 601	5 585
	Impairment (gain)/loss	2 681 892	4 090 209
	Interest earned	(2 719 997)	(2 468 728)
	Non-current provisions	2 361 401	(140 000)
	Operating surplus before working capital changes	**25 310 719**	**27 788 653**
	Increase in trade receivables from exchange transactions	(1 172 392)	(360 490)
	Decrease/(increase) in other receivables from non-exchange transactions	441 902	(540 686)
	(Increase)/decrease in VAT receivable	(177 182)	1 888 152
	Decrease in trade and other payables from exchange transactions	(539 368)	(1 050 415)
	Increase/(decrease) in unspent conditional grants and receipts	1 312 098	(9 922 587)
	(Decrease)/increase in current provisions	(232 656)	359 101
	Increase in current provision contract retention	384 619	-
	(Decrease) / increase in current portion of finance lease liability	(4 997)	22 731
	Cash generated from operations	**25 322 745**	**18 184 458**

	2011 R	2010 R
31 Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash at bank	298 971	906 259
Call deposits - Stanlib Investment	7 367 208	6 909 061
- Money Market	1 456 582	33 004 584
- Investec Bank	1 349 571	1 270 240
- Investec Fixed Deposits	15 168 520	-
- Fixed Notice	600 714	578 505
- Business Fixed Maturity 74	26 034 061	-
Bank balances and cash	**52 275 627**	**42 668 648**

32 Corrections of prior year errors

32.1 Accumulated surplus

During the current financial year the municipality corrected a fundamental error. Trade payables was overstated by R 25 640 and other payables was overstated as a result of overstatement of UIF due to Councillors amounting to R 421 502. There was also roads which were taken over by the Department of Transport in the prior year but was still included as municipality's assets the loss on disposal calculated amounted to R4 951 588. The municipality also owns a land where Bulwer Taxi Rank is constructed valued at R60 000, this was not included on the municipality's books in the previous years. The fair value of these properties were adjusted in 2010 financial year as follows: Bulwer Community Hall fair value was adjusted down by R2 446 139, House no. ERF 68 fair value was adjusted up by R 5 340.94 and House no. ERF 87 was also adjusted up by R33 077.94. Accounting for depreciation for the properties reclassified from investment property for the 2010 financial year totalling R 532 340.

Reported balance as 30 June 2010	**80 547 344**
Creditors overstated	(25 640)
UIF due to councillors was overstated last year	(421 502)
Loss on disposal of roads derecognised in previous years	4 951 588
Bulwer rank not recognised in the asset register in previous years	(60 000)
Reversal of the fair value adjustment on Bulwer Community Hall	(2 446 139)
Reversal of the fair value adjustment on municipal house no. ERF 68	5 341
Reversal of the fair value adjustment on municipal house no. ERF 87	33 078
Depreciation on properties reclassified from investment property in 2010 financial year	532 340
Reversal of accumulated depreciation on re-assessment of useful lives on assets fully depreciated	(1 073 831)
Provision for long service awards	149 316
Net effect on Accumulated Surplus Opening Balance	**(1 644 550)**
Restated balance as at 30 June 2010	**78 902 794**

32 Correction of errors (continued)
32.2 Property, plant and equipment

During the current financial year the municipality corrected a fundamental error. Land with a value of R 1 570 000 where there are buildings was classified as Investment Property in the previous periods instead of property, plant and equipment. Land valued at R60 000 where Bulwer Rank is constructed was ommitted from the municipality's fixed asset register. Roads which were taken over by the municipality was still recorded on the municipality's fixed asset register it has a cost of R10 408 295, accumulated impairment of R1 487 439 and accumulated depreciaton of R3 969 268. Bulwer Community hall with a cost of R 4 1996 139 was incorrectly classified as investment in 2009 and municipal houses which houses employees was incorrectly classified as investment property in 2009

	Cost	Accumulated depreciation/impairment	Net carrying amount
Balance as at 30 June 2009	**41 693 929**	**(12 958 783)**	**28 735 146**
Reclassification of land from Investment Property	1 570 000	-	1 570 000
Land not included on fixed asset register	60 000	-	60 000
Disposal of roads - cost	(10 408 295)	5 456 707	(4 951 588)
Bulwer Community hall incorrectly classified as investment propert	4 996 139		4 996 139
Municipal house no. ERF 68 was incorrectly classified as investme	387 161		387 161
Municipal house no. ERF 87 was incorrectly classified as investme	519 197		519 197
Restated balance as at 30 June 2009	**38 818 132**	**(7 502 076)**	**31 316 056**
Movement 2010			
Additions	13 084 754		13 084 754
Assets under construction	13 275 187		13 275 187
Depreciation		(3 282 958)	(3 282 958)
Impairment		(4 090 209)	(4 090 209)
Disposals	(90 251)	(21 872)	(112 123)
Restated balance before 2010 adjustment	**65 087 822**	**(14 897 115)**	**50 190 707**
Correction of error in 2010 financial year			
Bulwer Community hall - depreciation for 2010		(494 595)	(494 595)
Municipal house no. ERF 68 - depreciation for 2010		(16 123)	(16 123)
Municipal house no. ERF 87 - depreciation for 2010		(21 622)	(21 622)
Reversal of accumulated depreciation on re-assessment of useful lives on assets fully depreciated for following assets			-
Security Measures		337 611	337 611
Furniture & fittings		197 412	197 412
Office Equipment		78 654	78 654
Vehicles		268 820	268 820
Computer Equipment		19 046	19 046
Roads		76 261	76 261
Restated balance as at 30 June 2010	**65 087 822**	**(14 451 652)**	**50 636 170**

32.3 Trade and other payables

During the current financial year the municipality corrected a fundamental error. Trade payables was overstated by R 25 640 and other payables was overstated as a result of overstatement of UIF due to Councillors amounting to R 421 502 in the previous years.

	R
Reported balance as at 30 June 2010	**4 159 125**
Creditors overstated	(25 640)
UIF due to councillors was overstated last year	(421 502)
Restated balace as at 30 June 2010	**3 711 982**

32 Correction of errors (continued)

32.4 Investment Property

During the current financial year the municipality corrected a fundamental error. Land amounting to R1 570 000 with buildings on it was incorrectly classisifed as Investment Property in the 2009. Bulwer Community hall with a cost of R 4 1996 139 was incorrectly classified as investment in 2009 and municipal houses which houses employees was incorrectly classified as investment property in 2009. The fair value of these properties were adjusted in 2010 financial year as follows: Bulwer Community Hall fair value was adjusted down by R2 446 139, House no. ERF 68 fair value was adjusted up by R 5 340.94 and House no. ERF 87 was also adjusted up by R33 077.94.

	R
Reported balance as at 30 June 2010	**5 639 773**
Land incorrectly classified as investment property	(1 570 000)
Bulwer Community hall incorrectly classified as investment property	(4 996 139)
Municipal house no. ERF 68 was incorrectly classified as investment property	(387 157)
Municipal house no. ERF 87 was incorrectly classified as investment property	(519 197)
Reversal of the fair value adjustment on Bulwer Community Hall	2 446 139
Reversal of the fair value adjustment on municipal house no. ERF 68	(5 341)
Reversal of the fair value adjustment on municipal house no. ERF 87	(33 078)
Net effect on Investment property	**(5 064 773)**
Restated balance as at 30 June 2010	**575 000**

32.5 Intangible assets

During the current year the municipality corrected an error, a re-assessment of useful lives was performed on assest which have been fully depreciated.

	R
Reported balance as at 30 June 2010	**18 406**
Reversal of accumulated depreciation on re-assessment of useful lives on assets fully depreciated	80 890
Restated balance as at 30 June 2010	**99 296**

32.6 Non-current provision

During the year the municipality corrected an error, a provision for long service award was not done for the previous years.

Reported balance as at 30 June 2010	**126 445**
Provision for long service awards	149 316
Restated balance as at 30 June 2010	**275 761**

	2011 R	2010 R
33 Commitments		
33.1 Commitments in respect of capital expenditure:		
Approved and contracted		
- Infrastructure	11 787 227	6 032 847
- Community assets	4 957 517	3 942 930
- Other assets	-	-
	16 744 744	9 975 777
Approved but not yet contracted		
- Infrastructure	14 400 000	17 500 000
- Community assets	18 869 000	4 800 000
- Other assets	8 335 269	1 718 000
	41 604 269	24 018 000
	58 349 013	**33 993 777**
This expenditure will be financed from:		
- Government grants	22 569 000	21 875 777
- Own resources	35 780 013	12 118 000
	58 349 013	**33 993 777**
33.2 Commitments in respect of operating expenditure:	**-**	**-**
Total commitments	**58 349 013**	**33 993 777**

		2011 R	2010 R
34	**Additional disclosure in terms of Municipal Finance Management Act**		
34.1	**Contributions to organised local government**		
	Subscription for the year	210 000	35 616
	Amount paid	(210 000)	(35 616)
	Unpaid at end of the year	**-**	**-**
34.2	**Audit fees**		
	Unpaid at beginning of the year	-	-
	Fee for current year	1 169 287	805 417
	Amount paid	(1 169 287)	(805 417)
	Unpaid at end of the year	**-**	**-**
34.3	**Employees tax**		
	Unpaid at beginning of the year	-	-
	Deductions for the current year	2 294 153	1 701 104
	Amount paid	(2 293 861)	(1 701 104)
	Unpaid at end of the year	**292**	**-**
34.4	**Value added tax**		
	Receivable at beginning of the year	463 066	2 351 218
	Inputs receivable for current year	3 827 610	3 616 740
	Outputs payable for current year	(58 342)	(57 623)
	Vat input on accruals	162 336	0
	Receipts from SARS	(3 754 422)	(5 447 269)
	Receivable at end of the year	**640 248**	**463 066**
34.5	**Pension and medical aid funds**		
	Unpaid at beginning of the year	92 231	0
	Contributions and deductions for current year	1 265 669	983 099
	Amount paid	(1 357 900)	(890 868)
	Unpaid at end of the year	**-**	**92 231**
34.6	**Fruitless and wasteful expenditure**		
	Fruitless and wasteful expenditure		
	Opening balance -	111 184	257 197
	Fruitless and wasteful expenditure current year	-	-
	Condoned or written off by Council	(111 184)	(257 197)
	Fruitless and wasteful expenditure awaiting condonement	1 601	111 184
		1 601	**111 184**

Incident	Disciplinary steps / Criminal
Current reporting period Fruitless and Wasteful Expenditure was interest incurred on late payment of a trade creditor of R1 601	Not applicable.

34.7 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance -	1 395 587	18 355
Irregular expenditure current year - SCM Deviations	541 745	1 324 707
Irregular expenditure current year - paid to suppliers in the organ of state		52 525
SCM Deviations - Written off by Council	(1 937 332)	-
Fruitless and wasteful expenditure awaiting condonement		-
	-	**1 395 587**

Irregular expenditure was as a result of one or two quotation being received with

34.8 Councillor's arrear consumer accounts

No councillors has an outstanding arrear account in the current year.	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
	R	**R**	**R**
As at 30 June 2011	-	-	
	-	**-**	**-**

The following Councillors had arrear accounts outstanding: -	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
	R	**R**	**R**
As at 30 June 2010			
Cllr ERS Sikhakhane	9 497	2 347	7 150
Cllr DP Zaca	5 156	1 270	3 886
	14 653	**3 617**	**11 036**

35 RELATED PARTIES

Members of key management.
Close family member of key management.
Post employment benefit plan for employees of municipality and / or other related parties.
No councillors were owing the municipality in the current year (refer to note 34).
Compensation to councillors and other key management (refer to notes 21 and 22).

	2011 R	2010 R

36 EVENTS AFTER THE REPORTING DATE

No material fact or circumstance has occurred between the accounting date and the date of this report.

37 FINANCIAL INSTRUMENTS

37.1 Market risk

The municipality's activities exposes the municipality primarily to the risks of fluctuations in interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of

Market risk exposrue are measured using a sensitivity analysis. A sensitivity analysis shows how surplus, and / or net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

Interest rate risk management

The municipality's interest rate profile consists of bank balances which exposes the municipality to fair value interest rate risk

Financial assets:

Bank deposits linked to South African prime rate.

Financial liabilities
Finance leases at fixed interest rates.

Management manages interest rate risk by negotiating where possilbe fixed rate finance leases.

Pension fund risk
In the latest available audited Financial Statement of the fund as at 31 March 2009, the fund showed a healthy financial state

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting

The basis points increases or decreases, as detailed in the table below were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates and increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on

As the municipality does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in the rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

	2011 R	2010 R
37.1 Market risk analysis (cont.)		
Interest rate sensitivity analysis (cont.)		
Decrease in interest rates:		
The estimated increase in basis points	-	50
Net surplus effect	**-**	**208 671**

37.2 Credit risk management

Credit risk refers to the risk that consumer debtors will default on their obligation to settle their respective accounts with the

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and cash equivalents, short-term deposits loans and receivables, investments and trade and other receivables.

The municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The directors consider that the carrying amount of trade receivables approximates their fair.

Maximum exposure to credit risk

The municipality's exposure to credit risk with regards to receivables is effectively unlimited and this is a historical

The carrying amount of financial assets recorded in the which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

	2011 R	2010 R
Trade receivables	2 049 895	916 214
Other receivables	276 831	454 004
	2 326 726	**1 370 218**

37.3 Age analysis of financial assets that are past due but not impaired

	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 120 past due	Total
2011					
Trade receivables	39 129	36 623	29 606	3 633 495	3 738 853
2010					
Trade receivables	19 349	17 878	11 931	2 415 667	2 464 825

37.4 Impaired financial assets

The only financial assets that are impaired are trade receivables. Refer to the trade receivables note for analysis of the impaired receivables.

37.5 Liquidity risk management

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. In terms of its working capital management, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The following table provides detail of the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay.

The figures below include both estimated interest and principal cash flows of the instruments.

37.6 Liquidity risk management

	0 - 1 year	2 years	3 years	4 years and later	Total
2011					
Trade payables	2 618 990				2 618 990
Other payables (current)	553 626				553 626
Unspent conditional grants and receipts	12 447 750				12 447 750
Current portion	433 229				433 229
Other non-current liabilities		4 261 301			4 261 301
Finance lease liability		140 848			140 848
	16 053 596	4 402 149	-	-	20 455 744
2010					
Trade payables	3 356 039	-	-	-	3 356 039
Other payables (current)	355 944	-	-	-	355 944
Unspent conditional grants and receipts	11 135 652	-	-	-	11 135 652
Current provisions	286 263	-	-	-	286 263
Other non-current liabilities	-	1 827 406	-	-	1 827 406
Finance lease liability		189 458			189 458
	15 133 898	2 016 863	-	-	17 150 761

38 RETIREMENT BENEFIT INFORMATION

Ingwe Municipality provides for retirement benefits to councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

Superannuation Fund is a multi-employer plans and is subject to either a tri-annual, bi-annual or annual actuarial valuation, the details of which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating municipality's.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating municipality.

(iii) The same rate of contribution applies to all participating municipalities and no regard is paid to differences in the membership distribution of the participating municipalities.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating municipality.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 834 136 (2010: R 658 763) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed. See note 21.

The Superannuation Pension Fund have been valued by making use of the Discounted Cash Flow method of valuation.

There is only one employee on the Superannuation Pension Fund which is a Defined Benefit Plan. Refer above for the the exemption in terms of IAS 19.30.

All other permanent employees are on the Provident Fund which is Defined Contribution plan.

39 Contingent liabilities

R 46 312

The Municipality is aware of a pending legal claim that could result in a cash outflow. This is the case between the Municipality and Eyethu Engineers. The municipality's legal representatives are of the opinion that the Council could potentially be liable for an amount of R46 312 as a result of the pending legal action.

40 Reconciliation of budget surplus/deficit with the surplus in the statement of financial performance

Net surplus/deficit per the statement of financial perfomance	**19 511 325**
Adjusted for :	
Fair value adjustments	-
Impairments recognised	2 681 892
Deficit on the sale of assets	5 721
Depreciation	119 387
Amortisation costs	-
Decrease in government grants and subsidies	9 203 105
Over-collection in property rates	(1 106 080)
Over-collection in service charges	(85 743)
Under-collection of fines	39 165
Increase in investment revenue received	(829 997)
Under-collection of other revenue items	6 419 927
Under-spending in employee costs	(940 668)
Over-spending in remuneration of councillors	(38 842)
Decrease in bad debts	(242 878)
Over-spending in other expenditure items	2 368 683
Net surplus / deficit per approved budget	**37 104 997**

41 Disclosure of Grants and subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

Name of grant	Organ of state	Unspent at beginning of year	Received during year	Interest credited	Expended during year	Unspent at end of year	Grants and subsidies delayed/ withheld	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act?	Reason for non-compliance	Reason for unspent grant at year end
		R	R		R	R					
State Housing - Bulwer project	Province of KZN	722 516				722 516	No	N/A	Yes	N/A	utilised on phase 2 of the project. This grant is very old.
State Housing - Donnybrook project	Province of KZN	324 550				324 550	No	N/A	Yes	N/A	The balance on these funds will be utilised on phase 2 of the project. This
State Housing - Ngcobo's Farm project	Province of KZN	727 255				727 255	No	N/A	Yes	N/A	utilised on phase 2 of the project. This grant is very old.
State Housing - Tar's Valley project	Province of KZN	503 003				503 003	No	N/A	Yes	N/A	utilised on phase 2 of the project. This grant is very old.
CMIP - Bulwer housing project infrastructure	Province of KZN	15 391			15 391	0	No	N/A	Yes	N/A	
CMIP - Donnybrook water system	Province of KZN	227 982			227 982	0	No	N/A	Yes	N/A	
CMIP - Ngcobo's Farm housing infrastructure	Province of KZN	114 533			114 533	0	No	N/A	Yes	N/A	
CMIP - Nkwezela landfill site	Province of KZN	152 136			149 795	2 341	No	N/A	Yes	N/A	funds was referred to as CMIP. The resolution was then taken to utilise this money on buying parkhomes to be utilise community creches
CMIP - Tar's Valley housing infrastructure	Province of KZN	88 136				88 136	No	N/A	Yes	N/A	funds was referred to as CMIP. The resolution was then taken to utilise this money on buying parkhomes to be utilise community creches
Amakhuze biodiversity	National government	103 526				103 526	No	N/A	Yes	N/A	th egrant was diverted to fund Gerald Bhengu art gallery. The phase 2 of the gallery has commenced already and this balance will contribute towards the cost of building
Anti - corruption measures	Province of KZN	27 906				27 906	No	N/A	Yes	N/A	The grant will fund the risk assessment cost at the beginning of the July 2011
Balance carried forward		3 006 934	0	0	507 701	2 499 233					

41 Disclosure of Grants and subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003 (continued)

Name of grant	Organ of state	Unspent at beginning of year	Received during year	Interest credited	Expended during year	Unspent at end of year	Grants and subsidies delayed/ withheld	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act?	Reason for non-compliance	Reason for unspent grant at year end
Balance brought forward		3 006 934	0	0	507 701	2 499 233					
Basic bookkeeping	Province of KZN	109 575				109 575	No	N/A	Yes	N/A	The application has been made to COGTA to utilise this grant. A new business plan has been submitted to COGTA for approval. COGTA previously had a control over this grant
Bio-fuel / Sisonke Stimela project	Gijima LED Fund	-				-	No	N/A	Yes	N/A	
Bulwer library: furniture and equipment	Province of KZN	-				-	No	N/A	Yes	N/A	
Communication strategy	Province of KZN	35 902				35 902	No	N/A	Yes	N/A	The strategy was developed. The balance will be utilised to upgrade that strategy
DBSA grant - rates service providers	Province of KZN/DBSA	160 432				160 432	No	N/A	Yes	N/A	This is a very old grant, however being currently used for MPRA.
Development administration capacity building	Province of KZN	0				-	No	N/A	Yes	N/A	
DM Grant: Stimela		-				-	No	N/A	Yes	N/A	
Electrification of eMasameni	National government	2 180 690			537 048	1 643 642	No	N/A	Yes	N/A	project and the application will be made to National treasury and DME to utilise
Financial management	National government	0	1 200 000		1 200 000	-	No	N/A	Yes	N/A	
Geographic information system	Province of KZN	146 698			25 948	120 750	No	N/A	Yes	N/A	KwaSani Municipality on a shared service
Gerard Bhengu art gallery	Province of KZN	-	1 635 000			1 635 000	No	N/A	Yes	N/A	This is lotto funds to fund the Bhengu Gallery. It has been allocated on 2011/12 Financial year
Gerard Bhengu art gallery	Sisonke		1 000 000			1 000 000					This is a district grant to fund the Bhengu Gallery. It has been allocated on 2011/12 Financial year
Human resource systems	Province of KZN	78 380				78 380	No	N/A	Yes	N/A	This old grant will be utilised on HR and payroll module.
Indigent support	Province of KZN	0				-	No	N/A	Yes	N/A	
Induction training	Province of KZN	-				-	No	N/A	Yes	N/A	
Integrated development planning	Province of KZN	-				-	No	N/A	Yes	N/A	
Inter-departmental monitoring	Province of KZN	0				-	No	N/A	Yes	N/A	
Internal control and audit	Province of KZN	136 537			136 537	0	No	N/A	Yes	N/A	
Land use management system	Province of KZN	0				-	No	N/A	Yes	N/A	
Library computer project	Province of KZN	48 415	90 000		131 708	6 707	No	N/A	Yes	N/A	employee, will be topped up soon by the funders
Local government expert	Province of KZN	35 147				35 147	No	N/A	Yes	N/A	left over after all payments have been made
Management assistance programme	Province of KZN	241 871			241 871	0	No	N/A	Yes	N/A	
Balance carried forward		6 180 582	3 925 000	0	2 780 812	7 324 769					

41 Disclosure of Grants and subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003 (continued)

Name of grant	Organ of state	Unspent at beginning of year	Received during year	Interest credited	Expended during year	Unspent at end of year	Grants and subsidies delayed/ withheld	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act?	Reason for non-compliance	Reason for unspent grant at year end
Balance brought forward		6 180 582	3 925 000	0	2 780 812	7 324 769					
Municipal Infrastructure	National government	4 558 295	11 186 000		12 871 850	2 872 445	No	N/A	Yes	N/A	
Municipal infrastructure investment planning	Province of KZN	25 136				25 136	No	N/A	Yes	N/A	
Municipal systems improvement	National government	0	750 000		750 000	-	No	N/A	Yes	N/A	
PIMS skills development	Province of KZN	0				-	No	N/A	Yes	N/A	
Property rating	Province of KZN	310 922			102 089	208 833	No	N/A	Yes	N/A	very old grant with no records, currently being used for MPRA
Public participation	Province of KZN	-				-	No	N/A	Yes	N/A	
Sisonke Stimela train project	Gijima LED Fund	-				-	No	N/A	Yes	N/A	
Sports stadium	Province of KZN	-				-	No	N/A	Yes	N/A	
Township establishment	Province of KZN	60 721			33 400	27 321	No	N/A	Yes	N/A	very old grant, however a Town Planner has been appointed, this grant will be utilised towards those expenses.
Local Economic Development	Province of KZN	0	400 000		199 827	200 173	No	N/A	Yes	N/A	This grant is for LED plan and strategy. It been received this year. The strategy hs now been completed.
Librarians Subsidy	Province of KZN		343 631		326 362	17 269					This grant is utilised to support the salaries of all librarians. It sis continually being applied
DBSA grant - rates service providers	National government		103 805		103 805	-					very old grant, however being currently used for MPRA.
Xosheyakhe Electrification	National government		5 000 000		3 228 192	1 771 808					This is a new grant. The projects that are funded by these grants are 90% complete. The appplication for roll over will be made to National treasury.
Web site development	Province of KZN	0				-	No	N/A	Yes	N/A	
TOTALS		**11 135 654**	**21 708 436**	**-**	**20 396 338**	**12 447 754**					

INGWE MUNICIPALITY
APPENDIX B UNAUDITED SUPPLEMENTARY SCHEDULES
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
As at 30 June 2011

	Cost or Valuation						Accumulated depreciation						Carrying value
	Opening balance	Additions	Under Construction	Adjustments	Disposals	Closing balance	Opening balance	Current year depreciation	Adjustments	Disposals	Impairment / (Reversal of Impairment)	Closing balance	
	R	R		R	R	R	R	R		R		R	R
Land	1 630 000					1 630 000	0	0			0	0	1 630 000
Buildings	6 646 714	445 352				7 092 066	3 198 785	126 398	37 745		20 631	3 383 559	3 708 507
Infrastructure													
Roads	9 713 333		7 427 900	-		17 141 233	4 766 973	898 028	-		48 867	5 713 868	11 427 366
Streetlights	96 391	-	-	-	-	96 391	34 701	3 856	-	-	-	38 556	57 835
	9 809 724	-	7 427 900	-	-	17 237 624	4 801 673	901 884	0	0	48 867	5 752 424	11 485 201
Community assets													
Taxi ranks	2 027 546	-	6 521 770	-	-	8 549 316	807 865	76 730	-	-		884 595	7 664 721
Community halls	14 266 988	5 543 202	4 491 884			24 302 074	3 604 744	570 604	494 595		68 484	4 738 427	19 563 647
Libraries	2 695 333	-	-	-	-	2 695 333	539 345	84 965	-	-	-	624 310	2 071 023
Public places	162 729	27 081	35 081	-	-	224 891	86 849	9 843	-	-	-	96 693	128 198
Sports fields	1 327 495	1 140 656	4 268 963	-	-	6 737 115	57 913	79 355	-	-	445 332	582 599	6 154 515
Refuse site	3 235	-	-	-	-	3 235	3 235	-	-	-	-	3 235	0
	20 483 326	6 710 939	15 317 699	0	0	42 511 964	5 099 951	821 497	494 595	0	513 816	6 929 859	35 582 105
Other assets													
Security	627 747	56 456	78 064	-	-	762 267	406 297	66 874	(337 611)	-	-	135 559	626 708
Computer equipment	514 592	180 830	-	-	(46 704)	648 718	269 420	116 541	(19 046)	(41 567)	-	325 348	323 369
Furniture and fittings	1 105 386	18 468	-	-	(10 665)	1 113 189	655 302	91 719	(197 412)	(10 665)		538 944	574 245
Office equipment - owned	441 094	33 083	-	-	-	474 177	353 355	40 290	(78 654)	-	-	314 991	159 188
Plant and equipment	423 578	66 298	-	-	(10 764)	479 112	214 221	98 565		(10 180)	-	302 606	176 506
Motor vehicles	3 351 375	962 596	-	-	-	4 300 808	1 787 842	509 655	(282 111)	-	117 571	2 132 957	2 167 852
Locomotives and coaches	6 463 405	-	-	-	-	6 463 405	53 862	215 447	-	-	-	269 309	6 194 097
	12 927 178	1 317 730	78 064	0	(68 133)	14 241 677	3 740 298	1 139 090	(914 834)	(62 412)	117 571	4 019 713	10 221 964
Leased assets													
Office equipment - leased	306 860					306 860	105 917	61 372				167 289	139 571
	306 860					306 860	105 917	61 372				167 289	139 571
Total of all assets	**51 803 802**	**8 474 021**	**22 823 663**	**0**	**(68 133)**	**83 020 191**	**16 946 624**	**3 050 240**	**(382 494.00)**	**(62 412)**	**700 886**	**20 252 844**	**62 767 347**

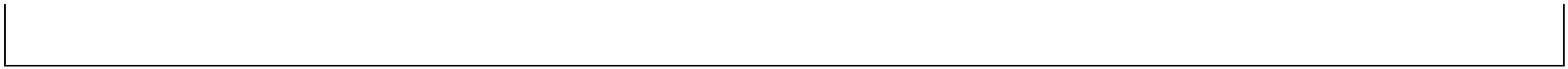
INGWE MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

As at 30 June 2010

	Cost or Valuation						Accumulated depreciation						Carrying value
	Opening balance	Additions	Under Construction	Adjustments	Disposals	Closing balance	Opening balance	Current year depreciation	Adjustments	Disposals	Impairment / (Reversal of Impairment)	Closing balance	
	R	R		R	R	R	R	R	R	R		R	R
Land	1 630 000.00					1 630 000	0				0	0	1 630 000
Buildings	5 740 356			906358		6 646 714	1 120 695	202 247			1 875 843	3 198 785	3 447 929
Infrastructure													
Roads	17 959 246	2 162 382	2 732 960	-	(10 408 295)	12 446 293	5 400 077	1 727 623	-	(3 969 268)	1 608 541	4 766 973	7 679 321
Streetlights	96 391	-	-	-	-	96 391	30 845	3 856	-	-	-	34 701	61 690
	18 055 637	2 162 382	2 732 960	-	(10 408 295)	12 542 684	5 430 922	1 731 479	-	(3 969 268)	1 608 541	4 801 673	7 741 011
Community assets													
Taxi ranks	2 027 546	-	1 845 287	-	-	3 872 833	383 135	101 377	-	-	323 353	807 865	3 064 968
Community halls	7 494 011	1 922 378	5 785 201	4 996 139	(86 110)	20 111 618	1 458 622	235 545	-	-	(54 783)	1 639 384	18 472 235
Libraries	2 695 333	-	-	-	-	2 695 333	245 908	89 844	-	-	203 593	539 345	2 155 988
Public places	162 729	-		-	-	162 729	37 647	13 200	-	-	36 002	86 849	75 880
Sports fields	363 603	963 892	2 885 253	-	-	4 212 748	37 760	20 153	-	-	-	57 913	4 154 835
Refuse site	3 235	-	-	-	-	3 235	3 235	-	-	-	-	3 235	-
	12 746 457	2 886 270	10 515 741	4 996 139	(86 110)	26 148 467	2 166 307	460 120	-	-	508 164	3 134 591	27 923 905
Other assets													
Security	601 261	-	26 486	-	-	627 747	365 627	76 271	-	-	-	441 899	185 849
Computer equipment	524 526	78 423	-	24 399	(20 258)	607 090	254 125	84 650	24 399	(2 527)	-	360 648	246 442
Furniture and fittings	897 647	207 739	-	-	-	1 105 386	489 252	140 478	-	-	-	629 730	475 656
Office equipment - owned	324 863	23 734	-	-	-	348 597	205 899	42 402	-	-	-	248 302	100 295
Plant and equipment	274 263	149 315	-	-	-	423 578	133 485	80 736	-	-	-	214 221	209 357
Motor vehicles	2 237 888	1 113 487	-	-	-	3 351 375	1 284 417	349 342	-	-	97 660	1 731 419	1 619 956
Locomotives and coaches	-	6 463 405	-	-	-	6 463 405	-	53 862	-	-	-	53 862	6 409 543
	4 860 448	8 036 102	26 486	24 399	(20 258)	12 927 178	2 732 806	827 742	24 399	(2 527)	97 660	3 680 080	9 247 098
Leased assets													
Office equipment - leased	306 860					306 860	44 545	61 372				105 917	200 943
	306 860	-	-	-	-	306 860	44 545	61 372	-	-	-	105 917	200 943
Total of all assets	**43 339 758**	**13 084 754**	**13 275 187**	**5 926 896**	**(10 514 663)**	**60 201 903**	**11 495 275**	**3 282 959**	**24 399**	**(3 971 795)**	**4 090 208**	**14 921 046**	**50 190 886**



INGWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
UNAUDITED SUPPLEMENTARY SCHEDULE
APPENDIX B(1): ACTUAL VERSUS BUDGET - REVENUE AND EXPENDITURE
For the year ended 30 June 2011

	2011 Actual R	2011 Budget R	Variance R	Percentage %	Explanation of variances greater than 5% (brackets denote a negative variance)
Revenue					
Property rates	2 537 412	1 500 000.00	(1 037 412)	-69%	The budget was set to be more realistic, after considering the previous year collections
Service charges	285 743	200 000.00	(85 743)	-43%	The budget was set to be more realistic, after considering the previous year collections
Rates Penalties	74 668	6 000.00	(68 668)	-1144%	The budget was set to be more realistic, after considering the previous year collections
Fines	95 283	134 448.00	39 165	29%	The trafiic department has increased the number of Officers
Rent of facilities and equipment	202 606	63 780.00	(138 826)	-218%	The colllection was more than expected, especially on the leased assets
Interest - investments	2 719 997	1 890 000.00	(829 997)	-44%	Grant and own funds usage less than anticipated resulting in more invested funds yielding more interest.
Government grants and subsidies	55 609 337	64 812 442	9 203 105	14%	Realising grant income was less than expected as a result of underspeending on conditional grant
Other income	88 095	6 646 847.00	6 558 752	99%	Cash backed accummulated Surplus and Vat received included in the budget
	61 613 140	75 253 517	13 640 377		
Expenditure					
Employee-related costs	12 530 570	13 471 238	940 668	7%	2 Positions budgeted for were not filled. Some savings were realised on pension amd medical aid compa
Remuneration of councillors	4 535 469	4 574 311	38 842	1%	
Doubtful debts provision	147 122	390 000	242 878	62%	This reflects an improvement in the debtors collection rate in comparison to 2010
Depreciation and amortisation	3 219 387	3 100 000	(119 387)	-4%	Some of the roads have been transferred to Department of Transport that is why the actual depreciation
Repairs and maintenance	706 795	2 131 275	1 424 480	67%	The halls to be repaired were prioritised late in the year
Finance costs	250 990	-	(250 990)	-100%	The budget for finance costs is residing under the general expenses budget.
Contracted services	304 060	240 000	(64 060)	-27%	This is due to an increased scope of work.
General expenses	17 719 810	14 241 696	(3 478 114)	-24%	The electrification project costs which was budgeted under capital budget has increased the general exp
	39 414 202	38 148 520	(1 265 682)		
Loss on disposal of assets	5 721	-	(5 721)	-100%	By its very nature it is impractical to budget for this type of item.
Impairment loss	2 681 892	-	(2 681 892)	-100%	By its very nature it is impractical to budget for this type of item.
Surplus for the year	**24 886 552**	**37 104 997**	**12 368 974**		

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amount charged has now gone dowı

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INGWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
UNAUDITED SUPPLEMENTARY SCHEDULE
APPENDIX B(2): ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
For the year ended 30 June 2011

	2011 Actual R	2011 Budget R	Variance R	Percentage %	Explanation of variances greater than 5% (brackets denote underspending)
Infrastructure					
Roads	4 487 128	12 500 000	8 012 872	64%	The construction of internal roads is behind the schedule, due to the contractor facing numerous challenges on site. Upgrade and Asphalt surfacing of Bulwer, Creigthon and Donnybrook roads is progressing very slow. A warning letter has been sent to the contractor
Taxi ranks	3 276 000	3 276 000	0	0%	
Electrification	3 228 192	5 408 000	2 179 808	40%	The Project is progressing well, delays has been caused by road construction on the site and also a delay by Eskom to issue the Outage Notice
	10 991 320	21 184 000	10 192 680		
Community assets					
Community halls	4 934 690	8 380 000	3 445 310	41%	The funds to construct Esidangeni and Bazini Hall were approved during the adjustment budget. The SCM process has delayed the starting time of the project
Public places		-	-	0%	Slow progress has been caused by suppliers facing numerous challenges on site.at Solokohlo Sportfield the Contractor has requested to subcontract the remaining work as they are undergoing cash flow problems. At Bhobhoyi Sportfield plant has been removed on site and labours do not report on site leading to less productive work
Sports fields	1 658 268	3 100 000	1 441 732	47%	
Creches					
	6 592 958	11 480 000	4 887 042		
Other assets					
Buildings	445 352	634 620	189 268	42%	One of four parkhome purchased during the year has not been delivered on the site due to road conditions
Security		0	0	100%	
Computer equipment	180 830	-	(180 830)	-100%	Computer equipment budget residing under the Office Equipment budget.
Furniture and fittings	18 468	-	(18 468)	-100%	Furniture and Fittings budget residing under the Office Equipment budget.
Office equipment	33 083	286 000	252 917	88%	In total over-expenditure on this budget is only R12 679 which not considered unreasonable.
Plant and equipment	66 298	-	(66 298)	-100%	Computer equipment budget residing under the Office Equipment budget.
Motor vehicles	962 596	1 100 000	137 404	12%	New mayoral vehicle not acquired. Will be purchased during the 2011/12 year.
	1 706 626	2 020 620	313 994		
Total of all assets	19 290 904	34 684 620	15 393 716		

INGWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
APPENDIX C: DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS
UNAUDITED SUPPLEMENTARY SCHEDULE
For the year ended 30 June 2011

Grant name	Organ of state	Unspent at beginning of year	Received during year	Interest credited	Expended during year	Unspent at end of year
		R	R		R	R
State Housing - Bulwer project	Province of KZN	722 516				722 516
State Housing - Donnybrook project	Province of KZN	324 550				324 550
State Housing - Ngcobo's Farm project	Province of KZN	727 255				727 255
State Housing - Tar's Valley project	Province of KZN	503 003				503 003
CMIP - Bulwer housing project infrastructure	Province of KZN	15 391			15 391	0
CMIP - Donnybrook water system	Province of KZN	227 982			227 982	0
CMIP - Ngcobo's Farm housing infrastructure	Province of KZN	114 533			114 533	0
CMIP - Nkwezela landfill site	Province of KZN	152 136			149 795	2 341
CMIP - Tar's Valley housing infrastructure	Province of KZN	88 136				88 136
Amakhuze biodiversity	National government	103 526				103 526
Anti - corruption measures	Province of KZN	27 906				27 906
Basic bookkeeping	Province of KZN	109 575				109 575
Bio-fuel / Sisonke Stimela project	Gijima LED Fund	-				-
Bulwer library: furniture and equipment	Province of KZN	-			-	-
Communication strategy	Province of KZN	35 902				35 902
DBSA grant - rates service providers	Province of KZN/DBSA	160 432				160 432
Development administration capacity building	Province of KZN	0				-
DM Grant: Stimela		-				-
Electrification of eMasameni	National government	2 180 690			537 048	1 643 642
Financial management	National government	0	1 200 000		1 200 000	-
Geographic information system	Province of KZN	146 698			25 948	120 751
Gerard Bhengu art gallery	Province of KZN	-	1 635 000			1 635 000
Gerard Bhengu art gallery	Sisonke		1 000 000			1 000 000
Human resource systems	Province of KZN	78 380				78 380
Indigent support	Province of KZN	0				-
Induction training	Province of KZN	-				-
Integrated development planning	Province of KZN	-				-
Inter-departmental monitoring	Province of KZN	0				-
Internal control and audit	Province of KZN	136 537			136 537	0
Land use management system	Province of KZN	0				-
Library computer project	Province of KZN	48 415	90 000		131 708	6 707
Local government expert	Province of KZN	35 147			-	35 147
Management assistance programme	Province of KZN	241 871			241 871	0
Municipal infrastructure	National government	4 558 295	11 186 000		12 871 850	2 872 445
Municipal infrastructure investment planning	Province of KZN	25 136				25 136
Municipal systems improvement	National government	0	750 000		750 000	-
PIMS skills development	Province of KZN	0				-
Property rating	Province of KZN	310 922			102 089	208 833
Public participation	Province of KZN	-				-
Sisonke Stimela train project	Gijima LED Fund	-				-
Sports stadium	Province of KZN	-				-
Township establishment	Province of KZN	60 721			33 400	27 321
Vuna award prize money	National government	0				-
Web site development	Province of KZN	0				-
Local Economic Development	Province of KZN		400 000		199 827	200 173
Librarians Subsidy	Province of KZN		343 631		326 362	17 269
DBSA grant - rates service providers	National government		103 805		103 805	-
Xosheyakhe Electrification	National government		5 000 000		3 228 192	1 771 808
		11 135 654	21 708 436	-	20 396 338	12 447 751